

## Message Text

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ACTION EUR-25

INFO OCT-01 EB-11 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01 USIA-15

XMB-07 DRC-01 ACDA-19 /200 W  
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R 091230Z APR 74

FM USMISSION BERLIN

TO SECSTATE WASHDC 3231

AMEMBASSY BONN

INFO AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY WARSAW

USEC BRUSSELS 462

USOECN PARIS UNN

C O N F I D E N T I A L BERLIN 0616

E.O. 11652: GDS

TAGS: ENRGN GW, WB, GE, PL, UR

SUB: ENERGY: PROPOSED PROJECTS AFFECTING BERLIN

REF:

A. BERLIN 474

B. BONN 4194

C. STATE 90577 (1973)

D. STATE A-2030

1. SUMMARY: ALLIED MISSIONS IN BERLIN HAVE RECEIVED FURTHER INFORMATION

ON PROJECTS WHEREBY BERLIN COULD OBTAIN ELECTRICITY AND OIL FROM EAST.

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SENAT HAS REQUESTED ALLIED ASSENT RE ELECTRICITY PROJECTS. USBER

ALONG WITH BRITISH AND FRENCH MISSIONS DEVELOPING OF JOINT  
RECOMMENDATIONS TO BONN EMBASSIES AND CAPITALS. END SUMMARY.

2. REPS OF THREE ALLIED MISSION IN BERLIN MET WITH KLEINDIENST OF  
INNER-GERMAN TRADE OFFICE, KRUEZBERG OF FRG ECONOMICS MINISTRY,  
AND SENAT STAFF ON APRIL 4 TO DISCUSS FURTHER DETAILS OF SOVIET NUCLEAR

POWER, POLISH COAL BURNING POWER, AND GDR REFINERY PROJECTS.  
GERMAN SIDE DUCKED MANY QUESTIONS BY SAYING THAT SUBJECT MATTER  
WAS OF PRIVATE COMMERCIAL NATURE OR UNDER JURISDICTION OF SOMEONE  
ELSE IN BONN. HOWEVER, FOLLOWING INFORMATION SUPPLEMENTING REFS  
A AND B AND PREVIOUS WAS PROVIDED:

A. SOVIET NUCLEAR POWER

1) COCOM AND IAEA SAFEGUARDS: APPLICATION TO COCOM WOULD  
HAVE TO AWAIT DEVELOPMENT OF FURTHER DETAILS.

2) FINANCING: IN RESPONSE REF D, ONLY INFORMATION OBTAIN-  
ABLE WAS THAT THERE WOULD BE NO BARTER, I.E. FINANCING OF NUCLEAR  
PLANT CONSTRUCTION AND PAYMENT FOR ELECTRICITY WOULD BE  
HANDLED AS TWO COMPLETELY SEPARATE COMMERCIAL TRANSACTIONS.

3) TECHNOLOGY: USSR WANTS FRG REACTOR TECHNOLOGY: FRG IS  
SEEKING NO RPT NO SOVIET TECHNOLOGY.

4. FUEL: SOURCE FOR ENRICHED URANIUM NEEDED FOR SOVIET  
POWER PLANTS AND POSSIBILITY FRG MIGHT OBTAIN SOVIET ENRICHED  
URANIUM FOR ITS OWN POWER PLANTS AS PART OF TRANSACTION ARE  
"OPEN QUESTIONS".

5) TRANSMISSION LINE

A) COMMON LINE FOR POLISH AND SOVIET PROJECTS  
PROBABLY TOO COSTLY BUT BEING CONSIDERED AS PART OF  
SEARCH FOR CHEAPEST ARRANGEMENT.

B) KLEINDIENST AND ROHWEDDER TOLD SOELLE (GDR) AT  
LEIPZIG IN MARCH THAT FRG CONSIDERS ARRANGEMENT WITH GDR FOR TRANS-  
MISSION LINE FROM NUCLEAR POWER PLANTS IS RESPONSIBILITY OF USSR  
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RATHER THAN OF FRG.

C) FRG HAS INFORMED USSR OF ITS POSITION THAT TRANS-  
MISSION LINE TO FRG MUST GO THRU WEST BERLIN: USSR HAS SO FAR BEEN  
NON-COMMITTAL ON THIS POINT.

D) WHEREAS THREE SENAT REPORTS IN 1972 AND 1973  
DESCRIBED AS HIGHEST PRIORITY BERLIN ENERGY PROJECT CONSTRUCTION OF

TRANSMISSION LINE BETWEEN FRG AND BERLIN. SENAT NOW CONSIDERS SOVIET PROJECT TO SHARE TOP PRIORITY WITH FRG-BERLIN LINE.

E. FRG REALIZES GDR MAY NOT AGREE TO TRANSMISSION LINE UNLESS IT IS RELATED TO SOVIET PROJECT: BUT FRG OBJECTIVE IS TO OBTAIN ELECTRICITY FOR BERLIN AT COMPETITIVE PRICE RATHER THAN SIMPLY TO FACILITATE GDR APPROVAL OF FRG-WEST BERLIN TRANSMISSION LINE

F) FRG CONSIDERATION OF PROS AND CONS OF EXTENSION OF LIBERAL INNER-GERMAN TRADE SWING CREDIT BEYOND 1975 IS PROCEEDING INDEPENDENTLY OF TRANSMISSION LINE OR OTHER ENERGY ISSUES.

#### B. POLISH POWER PLANTS

1) FINANCING: FRG DOES NOT PLAN TO ASSIST POLAND TO FINANCE POWER PLANTS. FRG FINANCIAL CREDIT TO POLAND WOULD BE UNRELATED TO POWER PLANTS.

2) FUEL: IN FRG VIEW, POLISH OFFER MEANS POLAND DOES NOT ANTICIPATE USSR WOULD VETO PROJECT TO RESERVE POLISH COAL FOR SOVIET PURPOSES.

#### C. GDR OIL

1) REFINERY-PIPELINE: PROPOSAL TO BUILD REFINERY AT SCHWEDT IN GDR AND PIPELINE TO WEST BERLIN REMAINS QUIET.

(BECHTEL REPRESENTATIVE TOLD MISSION THAT NEGOTIATIONS BETWEEN GDR AND HIS FIRM ON CONSTRUCTION OF REFINERY ARE STALLED BECAUSE GDR IS INSISTING ON FIXED PRICE CONTRACT WHEREAS BECHTEL WANTS COST PLUS: BECHTEL PREFERS COST PLUS ON CONFIDENTIAL

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GROUND THAT FIXED-PRICE CONTRACT WILL NOT PERMIT IT TO KEEP UP WITH TECHNOLOGICAL DEVELOPMENTS DURING CONSTRUCTION WITH RESULT INSTALLATION WILL BE OBSOLETE BEFORE COMPLETION.)

2) CONSORTIUM: OIL COMPANY CONSORTIUM TO MARKET GDR OIL IN BERLIN HAD BEEN SUGGESTED IN CONNECTION WITH REFINERY-PIPELINE PROJECT, BUT IDEA MIGHT BE PURSUED EVEN IF PIPELINE AND REFINERY NOT BUILT. (ESSO TOLD USBER OIL COMPANIES AND GDR INTRAC AGREED IN FEBRUARY TO MEET AGAIN IN APRIL BUT NO DATE HAD BEEN SET AS OF APRIL 8).

3) OIL DELIVERIES:

A) 1968 INNER-GERMAN AGREEMENT ON OIL DELIVERIES WAS

EXPRESSED IN ACCOUNTING UNITS PER YEAR, AMOUNT OF WHICH AT TODAY'S PRICES AND LEVEL OF TRADE WOULD COVER ONLY TWO MONTHS DELIVERIES.

B) NO CRUDE HAS BEEN SHIPPED TO GDR VIA FRG SINCE FALL 1973.

C) FRG AND GDR WILL SOON NEGOTIATE 1974 OIL QUOTA.

3. SENAT (HERZ) ASKED ALLIES FOR ASSENT (EINVERSTAENDNIS) RE GENERAL IDEA OF OBTAINING ELECTRICITY FOR BERLIN FROM EAST. HE RECOGNIZES THAT, SHOULD SOVIET NUCLEAR PROJECT TAKE SHAPE, THERE MAY BE PROBLEMS IN REGARD TO COCOM AND SAFEGUARDS QUESTIONS WHICH WILL HAVE TO BE RESOLVED ELSEWHERE BUT ASSUMES AN UNQUALIFIED ALLIED RESPONSE ON POLISH PROJECT COULD BE FORTHCOMING RELATIVELY QUICKLY.

4. USBER ALONG WITH BRITISH AND FRENCH MISSIONS REVIEWING INFORMATION TO DEVELOP JOINT-RECOMMENDATIONS ON BERLIN ASPECTS OF THESE PROJECTS.KLEIN

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